

Medicare Part D benefits bulletin

City Benefits— New Directions

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Produced by the Human Resources
Department for City of Long Beach Retirees

PREPARING FOR MEDICARE PART D

Beginning January 1, 2006, a new prescription drug benefit will be available to City retirees under Part D of Medicare. You are eligible for this new benefit if you are eligible for Medicare Part A and enrolled in Medicare Part B. It is important that you understand how this new benefit works, and how it will coordinate with the prescription drug benefits you are eligible to receive as a City of Long Beach retiree.

In the weeks ahead, there will be a lot of information in the mail, on television, and on the radio urging people with Medicare to sign up for a Medicare drug plan. However, because you already have drug coverage through the City, you may not need or want to join a Medicare drug plan offered by any provider other than the City.

Medicare Part D establishes a minimum benefit standard that all approved Prescription Drug Plans (PDPs) must provide as described below:

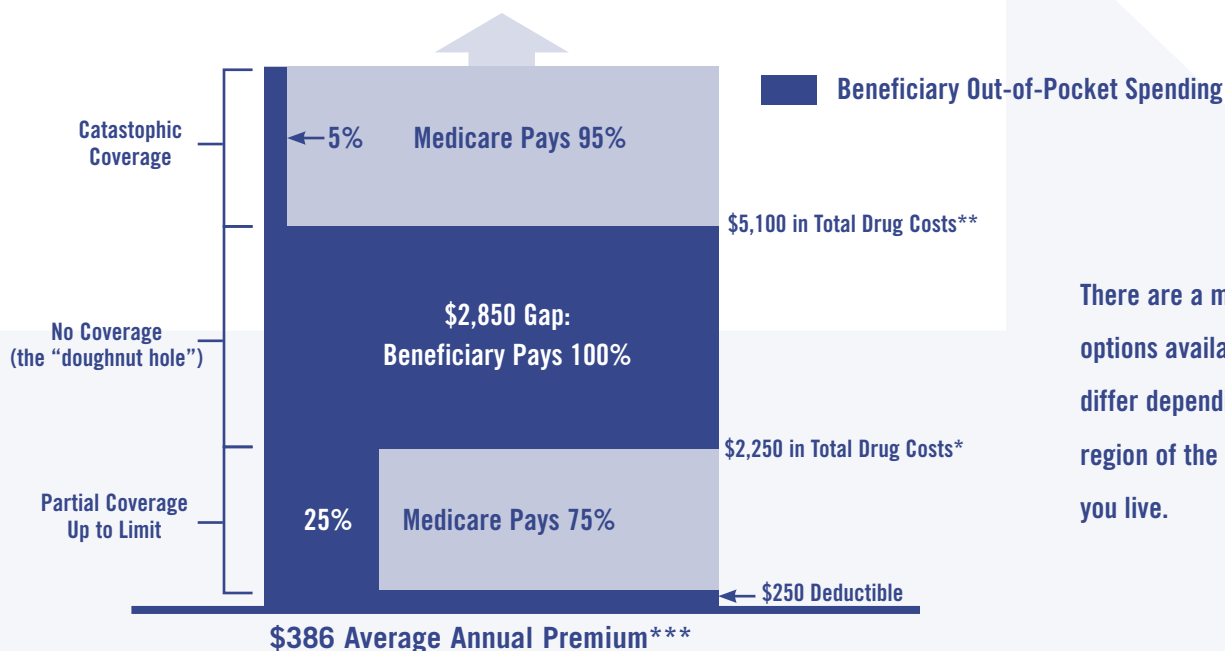
- A \$250 annual deductible
- Coverage of 75% of drug costs between \$250 and \$2,250
- No coverage for drug costs between \$2,250 and \$5,100 (this gap in coverage is known as the “doughnut hole”)

- After reaching the \$5,100 in prescription drug expenses in a plan year (\$3,600 in out-of-pocket spending), enrolled participants reach a “catastrophic” level of coverage and will only be required to pay 5% of drug expenses in excess of \$5,100 for the remainder of the plan year.



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Standard Medicare Prescription Drug Benefits, 2006



There are a multiple of PDP options available to you that differ depending upon the region of the country where you live.

Note:

*Equivalent to \$750 in out-of-pocket spending.

** Equivalent to \$3,600 in out-of-pocket spending.

*** Annual amount based on \$32.20 national average monthly beneficiary premium (CMS, August 2005).

Source: Kaiser Family Foundation illustration of standard Medicare drug benefit described in the Medicare Modernization Act of 2003.

Your Rx Benefits from the City of Long Beach

When you retire from the City and become eligible for Medicare benefits (at age 65 or older) you become eligible for the City's Medicare Supplement Plan, or the PacifiCare Secure Horizons Plan, provided that you are enrolled in both Part A and Part B of Medicare.

Participation in Medicare Part D is voluntary (unless you enroll in the PacifiCare Secure Horizons Plan). **If you choose not to enroll in a PDP plan under Medicare Part D, you may continue the current level of prescription drug coverage provided under the City's Medicare Supplement Plan.** This plan features generic and brand-name copays as well as a formulary and a \$2,000 annual benefit maximum.

If you choose to enroll in a Medicare PDP plan to receive the greater catastrophic drug benefit coverage, here's how prescription drug benefits from the City's Medicare Supplement Plan and PacifiCare Secure Horizons will now be coordinated with Medicare Part D:

Medicare Supplement Plan

Effective January 1, 2006, provided you enroll in Medicare Part D, the Medicare Supplement Plan will pay:

- 100% of all covered expenses not payable by Medicare (this includes any deductibles and/or copays plus any coinsurance required under the chosen plan) up to the City's maximum annual prescription drug benefit of \$2,000.
- You become eligible for further catastrophic prescription drug benefits (at least 95% coverage) through Medicare Part D *after* you satisfy the

Medicare PDP plan's annual out-of-pocket limit (which cannot exceed \$3,600).

PacifiCare Secure Horizons

When you enroll in PacifiCare Secure Horizons (Medicare Advantage Plan), you pay only a copayment for covered prescription drugs. A plan formulary applies. Your copayments, which are based on a 30-day supply, are \$7 for generic drugs, and \$14 for brand name drugs. Mail order services are also available at a reduced cost of two-times the regular copayment for a 90-day supply.

If you are enrolled in PacifiCare Secure Horizons, do NOT enroll in Medicare Part D, as PacifiCare will enroll you automatically when you sign up for Secure Horizons. You will not lose any benefits or be penalized in any way by continuing your coverage with PacifiCare Secure Horizons.

What if I don't enroll in Medicare Part D?

If you choose NOT to enroll in a Medicare PDP plan, your current prescription drug coverage under the City's Medicare Supplement Plan will continue unchanged with its \$2,000 annual benefit limit. While joining a Medicare PDP plan is voluntary, if you wish to receive supplementary drug coverage to Medicare Part D from the City's Medicare Supplement Plan, you must enroll **and** notify the City and its Plan Administrator of your Part D enrollment prior to December 31, 2005. Keep in mind that if you fail to enroll in a Medicare Part D drug plan by May 15, 2006, you will have to wait until November 15, 2006 to enroll, with Part D coverage taking effect January 1, 2007. When you do enroll at this later date, **if you do not have current "creditable coverage"**, you will have to pay a late entrance penalty that will continue for the duration of your coverage. (Your premium cost could go up at least 1% per month for every month that you waited to enroll past your initial date of eligibility for Medicare Part D. The concept of "creditable coverage" is described later in this newsletter.)

As a reminder, if you are enrolled in PacifiCare Secure Horizons, you will be enrolled in Medicare Part D automatically. No action is required on your part.

How do I enroll?

If you are enrolled in the City's Medicare Supplement Plan and wish to enroll in Medicare Part D, you can log on to Medicare's website at www.medicare.gov. There you can find information about the local PDP plans available in the area where you live. You may also compare Medicare PDP plans, obtain information on drug formularies, and enroll in the PDP plan of your choice through the online enrollment center. You may also enroll by calling 1-800-MEDICARE (1-800-633-4227) and talking to a Medicare customer service representative. TTY users should call 1-877-486-2048.

Important! If you or your spouse will turn 65 in the upcoming year, don't miss the opportunity to enroll in Medicare Part A and Part B when you become eligible, so that your health care coverage through the City of Long Beach may continue.

Who pays the premium?

If you enroll in the Medicare Supplement Plan, your Medicare Part D premium can be deducted every month from your Social Security benefit, similar to your premiums for Medicare Part B. Other payment options are also available. Please contact Medicare for details.

What is "Creditable Coverage?"

Creditable coverage means that a plan provides prescription drug coverage, on average for all plan participants, which is equal to or exceeds the value of the coverage of the standard Medicare Part D plan benefit. The prescription drug benefits offered through the City's current self-insured medical plans other than the PPO Thrift Plan, including the current Medicare Supplement Plan, as well as those provided under the City's PacifiCare HMO plans and Secure Horizons, are considered creditable coverage. The drug coverage provided under the PPO Thrift Plan is NOT considered to be creditable coverage for Medicare Part D purposes.

Being covered by a plan that provides creditable coverage is important. Medicare-eligible persons who do not have creditable coverage for a specified period of time (63 days or longer) and who are not otherwise enrolled in a Medicare Part D plan are subject to a late fee or penalty of at least 1% of the Part D premium for each month the individual delays his/her Part D enrollment past the date he/she first becomes eligible when they subsequently sign up for a Part D benefit.

What should I consider before choosing a Medicare Part D plan?

There are many factors to consider when choosing your Medicare drug plan. It's a good idea to compare the plan formularies (that is, the list of drugs covered), as well as your monthly premium and your share of prescription costs. Also be sure that the pharmacies in the plan are conveniently located to you.

For your own good health and financial security, if you are enrolled in the City's Medicare Supplement Plan, you are strongly encouraged to enroll in Medicare Part D for 2006. There should be no need to enroll in anything other than a stand-alone PDP or Prescription Drug Plan if you are covered for medical benefits under the City's Medicare Supplement Plan. Enrolling now means you will pay your lowest possible monthly premium and you will maximize your benefits. **If you don't enroll in Medicare Part D by December 31, 2005, you will continue to receive your current prescription drug coverage through the City. This coverage will NOT coordinate with the drug coverage provided under any Part D plan you may enroll in after that date.**



When should I enroll?

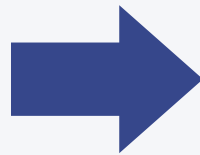
You may receive supplementary drug coverage under the City's Medicare Supplement Plan provided that you enroll in Medicare Part D between November 15, 2005 and December 31, 2005. (If you are enrolled in PacifiCare, you will be enrolled automatically.) If you choose not to enroll in one of the City's medical plans, you may select any Medicare Part D plan without penalty until May 15, 2006.

How do I receive benefits?

If you are enrolled in the Medicare Supplement Plan, simply present your Medicare Part D ID card to your pharmacist when you fill your prescription. You must pay for your prescription and then submit your receipt with your claim form to Great-

West Healthcare for processing. The City's Medicare Supplement Plan will reimburse you at 100% for covered prescription drug expenses up to the plan's \$2,000 annual limit. After you reach this limit, you will have no coverage until you reach your Medicare PDP's annual out-of-pocket expense limit. Once you reach this annual out-of-pocket limit, your Medicare PDP will pay at least 95% of the cost of eligible prescription drug expenses for the rest of the plan year, and you will pay the remaining cost.

If you are enrolled in PacifiCare Secure Horizons, you will continue to receive prescription drug benefits just as you do now. You will pay a copayment each time you have a prescription filled. The amount of your copayment will depend on if the prescription you purchase is a generic drug or a brand-name drug.



Where can I get more information?

For more information on Medicare prescription drug coverage, read the "Medicare & You 2006" handbook mailed to you in October 2005. For additional guidance:

- Visit the Medicare website at www.medicare.gov.
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.
- Request a free copy of "Your Guide to Medicare Prescription Drug Coverage," (CMS Pub. No. 11109) by visiting www.medicare.gov, or by calling 1-800-MEDICARE.
- Call your State Health Insurance Assistance Program for free personalized health insurance counseling.